

Doing sums with a new premieriada. Formulation of task

No. 39/287, November 4, 2002

Yulia Tyshchenko, Head of Civil Society Programs, Maxim Latsyba, Head of Economic and Social Programs

"Three, Seven, Ace..., Three, Seven...?"

At the end of the last week President Kuchma received the results of bargaining in the parliament about the future "vacancy fair" for filling up the position of the Prime Minister of Ukraine. Currently the four candidates proposed for the "fair" include head of the State Taxation Administration Mykola Azarov, nominated by the "Evropeisky Vybir" group, head of the Donetsk regional state administration Viktor Janukovich, nominated by the "Rehiony Ukrainy" faction, the current Prime Minister Anatoly Kinakh, supported by the faction of his Party of Industrialists and Entrepreneurs and the Trudova Ukraina, and first vice prime minister of the Ukrainian government Oleg Dubina, nominated by the "Narodovladdya" group.

Yulia Tyshchenko, Head of Civil Society Programs, Maxim Latsyba, Head of Economic and Social Programs

"Three, Seven, Ace..., Three, Seven...?"

At the end of the last week President Kuchma received the results of bargaining in the parliament about the future "vacancy fair" for filling up the position of the Prime Minister of Ukraine. Currently the four candidates proposed for the "fair" include head of the State Taxation Administration Mykola Azarov, nominated by the "Evropeisky Vybir" group, head of the Donetsk regional state administration Viktor Janukovich, nominated by the "Rehiony Ukrainy" faction, the current Prime Minister Anatoly Kinakh, supported by the faction of his Party of Industrialists and Entrepreneurs and the Trudova Ukraina, and first vice prime minister of the Ukrainian government Oleg Dubina, nominated by the "Narodovladdya" group.

The nominees were announced after a meeting of the parliamentary majority at the Ukrainsky Dim on October 21, attended by President Kuchma and Prime Minister Kinakh. The meeting was closed for the press and, according to some of its participants, was caused by anxiety over inefficiency of the parliamentary majority. According to leader of the faction of the Party of Industrialists and Entrepreneurs and the Trudova Ukraina, Serhiy Tihipko, the measures that could be taken to re-invigorate the performance of the ailing majority could include "re-distribution of parliamentary committees, formation of a coalition government, and adoption of "progressive" laws, including the one on the opposition (UNIAN, October 21, 2002). Rather symptomatically for the current condition of the "great nine" that form the parliamentary majority, the meeting was attended by only 211 MPs instead of expected 230 - at least that was the figure given to the UNIAN information agency by a new recruit of the SDPU(o) faction, Oleksandr Volkov.

Hence, soon all interested parties will find themselves in the role of witnesses of yet another reshuffle of the Cabinet. The key players in this round will be President Kuchma and the parliament. The presidential administration and particularly the Presidential chief of staff Viktor Medvedchuk will be active observers and emotional fans with rather broad possibilities to influence the process. The Cabinet of Ministers will - again - play the role of a passive hostage.

Today one may hear quite fair opinions that the new round of the Premieriada is just a method of reducing political contradictions within the Ukrainian parliament by softly moving them into the sphere of discussions about personalities of potential leaders of the Ukrainian executive branch. The discussions, traditionally, will take place in a closed-down manner that allows full use of "hands-on" mode of administration.

It looks like the current "majority" can only repeat the experience of forming a "coalition" government that produced the government of Anatoly Kinakh, formed with involvement of Viktor Medvedchuk after the dismissal of the Yushchenko government through the parliament's no-confidence vote. Then specific personalities that took the positions in the government did not have clear official political affiliation, though unofficial connections were obvious and known by most of Ukraine's citizenry interested in politics. The specific "lobby coalition building" proved to be rather convenient, as it allowed to move any ethical debate about the political situation and the issue of political responsibility of the government outside of the public discourse and then quietly remove it from the agenda. A coalition government in a usual sense of the notion is currently impossible in Ukraine due to the absence of a law on the Cabinet of Ministers and clear rules of the game in the law.

Devaluation of possibilities

Another detail that adds to the picture is the fact that the current round of the Premieriada shows that general organizational capacity to make a majority has been already used in full, the source of potential compromise between participants of the majority has been almost drained down, and administrative methods of building the quasi-majority, used widely by the presidential administration and its chief, have proven to be ineffective. Therefore, paraphrasing a classic, "those on top cannot do it anymore".

The situation does not seem to be improved by the promise of re-distribution of parliamentary committees. The fact that the re-distribution has not taken place yet is not so much related to the decision not to alienate at least some part of the opposition, but to the complexity of reaching a compromise within the "big nine" on what of the factions and groups will gain leadership of what of the committees. This trend also indicates that the Premieriada has little chance to produce a compromise.

In addition to the facts that indicate the inability of the parliamentary majority to act adequately as the legislature, one may see growing devaluation of the parliament's capacity to approve laws, economic laws included. Even though this parliament is the most "market-oriented" of Ukraine's parliaments since independence, and a number of MPs have a strong business background, their law-making capacity to create a favorable business environment is limited. Theoretically, all of them are to be interested in fast and balanced adoption of "economic" laws. Compared to the

previous parliament, this parliament has 14 more economists, accountants and auditors, and 7 top managers, compared to 2 in the previous parliament. According to head of the Committee for Economic Policy, Economy Management, Property and Investment, Stanislav Hurenko, “the Verkhovna Rada has such a powerful entrepreneurial lobby that I cannot recall from the beginning of activities of the parliament of independent Ukraine”. This opinion is indirectly supported by Yuri Yekhanurov, head of the Committee for Industrial Policy and Enterprise, who believes that “in the Verkhovna Rada, I guarantee, on key economic issues there will be 320 supporting votes – be it in the form of amendments to the law on economic entities, or be it a separate law. Because there, there are people who feel the need for adoption of such a law”.

However, positive expectations in that context have not come true yet. Evaluating results of voting in the current session on key economic bills, one may see that positive decisions were not as much a result of selfless involvement of the “business MPs” but rather of far-sighted political agreements targeting the next presidential elections. For instance, on October 17 the MPs approved in the first reading the draft of the 2003 State Budget, initially approved by the parliamentary Budget Committee led by a Nasha Ukraina activist Petro Poroshenko. The bill envisaged the increase of the revenue part by UAH 8 billion, the increase of funding of local budgets and social needs of the regions. “The UAH 8 billion, “found” to increase the revenue [figures] is the price the block of the future president names for everyone who is willing to take part in their victory,” argued Irina Pogorelova in the *Kompanion* magazine (issue 42), “those willing [to join] only have to pay for social benefits, growth programs <...> if 4 out of those 8 billion must be revenues from privatization, it is obvious that today Ukrainian oligarchs could agree about buying those objects from the future government for a high price but with a guarantee to keep those objects in their hands. And that would be a good start for negotiations on forgetting the idea of re-division of property that, should Yushchenko come to power, scares to panic some of his colleagues in the parliament”. The results of the vote on the first draft of the 2003 budget were as follows: “For”: 279, “Against”: 0, “Abstained”: 1, “Did not vote”: 83, Total: 363.

Another important issue voted by the parliament was a draft law on “Making Changes to the Law of Ukraine “On Taxation of Revenues of Enterprises” (October 24, 2002). Generally, the draft bill is a rather good one, as it would simplify administration of the income tax, though slightly increase gross spending, but the tax itself will be reduced to 25% and amortization payment norms will slightly grow. The voting in the parliament produced the following results: “For”: 227, “Against”: 0, “Abstained”: 0, “Did not vote”: 169, “Total”: 396. Interestingly, all changes to the draft, proposed by the government, were ignored by the MPs. As in the case with the draft budget, this indicates primarily that the parliament is trying to play an independent economic game, in most cases choosing not to support the government’s legislative initiatives and preferring proposals of relevant parliamentary committees. The results also suggest that a new parliamentary majority is being born, though it is bound to be a situational one as well. For instance, on October 24, the same parliament rejected the draft bill “On Personal Income Tax”, proposed by the parliamentary committee as a basic document, though a need to adopt such a bill is obvious. The voting results were as follows: “For”: 219, “Against”: 0, “Abstained”: 0, “Did not vote”: 185, “Total”: 404. The Nasha Ukraina faction gave only one vote in favor of that important bill.

Thus, one may conclude that the parliament is capable of only situationally adopting coordinated decisions and finds compromise on key economic issues, and that the situation is based on the format of relations within the parliament. Often that format is determined by outside influences – primarily by the presidential administration and various “institutions of force”, i.e., the Ministry of the Interior, the Office of Prosecutor General, the State Taxation Administration. Note the case of arrest of a businessman, Russian citizen Konstantin Hryhoryshyn, discussed earlier by the Research Update. Then the scandal prompted several MPs to leave the majority. Due to the lack of agreement between the majority and the largest parliamentary faction, Nasha Ukraina, on a number of political issues (like the government, and the majority itself) it is hard to speak about a possibility of coordinated voting of the majority factions and Nasha Ukraina on important economic issues. Therefore, in order to add stability to the parliament’s performance, the formation of a new government requires that Nasha Ukraina’s position be taken into account. Otherwise there is a strong risk that the parliamentary majority will be unable to adopt economic laws and create a legal framework for operation of the Cabinet. Reaching agreement under the circumstances is getting even more difficult.

Future Premier Puzzle

One of the aspects that highlight internal complications and contradictions between different political-economic groups that make the parliamentary majority is the presence of four candidates for the position of the Prime Minister instead of a single one to which all factions of the majority would agree. The Donetsk group even nominated two candidates instead of one: head of the State Taxation Administration Mykola Azarov and head of the Donetsk Regional State Administration Viktor Janukovich. The “pluralism” suggests the lack of consensus even within the group. Hence, it is rather difficult to predict chances of the parliament’s “big nine” after the Premieriada is over. The four candidates nominated by the factions and groups of the parliamentary majority show the lack of unity and unwillingness to agree, while demonstrating “centers of gravity” in the parliament. Furthermore, the list of potential nominees is not closed – for instance, it is possible that Serhiy Tihipko, leader of the Trudova Ukraine and a parliamentary group that his party shares with the party of Prime Minister Anatoly Kinakh, may also join the race. If Tihipko accepts the nomination, it is likely that the parliamentary group he chairs (42-strong and the third largest group in the parliament) built of fragments of the former Yedyna Ukraina pro-presidential megablock, may collapse. If Tihipko took part in the race today, his involvement would be a challenge not only to the majority, but to the parliament’s ability to perform even in its current “reduced” capacity. Participation in the Premieriada might be counterproductive for Tihipko’s potential chances as a presidential candidate, but in that sense much would depend on what Ukraine’s new Prime Minister (tenth in eleven years of independent statehood) should be: a neutral temporary figure or a political “heir” to the head of the state. So far there has been not clarity on that.

No clarity has been added by the recent statement of President Leonid Kuchma who said on November 1 that a coalition government has to be formed by November 22. Answering the question about his preferred choice among the four nominees, he said: “I will recognize the candidate that gets the majority of the votes in a political coalition”. He stressed that he had not received any formal nominations of persons that could fill the position of the Prime Minister, and that the names he had heard were just suggestions of the factions that nominated their candidates.

“I want the majority to produce not a selection of possible candidates, I will support a person for whom they take responsibility”, he announced. The reference to “taking responsibility” can be interpreted as “a candidate that the parliament will vote for”. It is hard to say today how well the agreement can be reached on a matter nobody seems to be willing to agree on. Possibly, the president’s statement indicates preparations for introducing a new, president’s own candidate. A new name may appear soon on the list of nominees; it may be suggested by the presidential administration with all possible implications for the 2004 presidential elections.

In fact, all of the proposed candidates have almost equal chances to make it to the top seat in the government – given they find agreement with most of the diverse forces in the parliament and get some votes from the four oppositions factions. Analysis of all “pros” and “cons” of each of the nominees is an issue for a different discussion. Hence, the story is “to be continued”...